

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 COME-00 AGR-20

AID-20 TRSE-00 CIAE-00 INR-11 NSAE-00 RSC-01 SWF-02

IO-14 DRC-01 (ISO) W

----- 043200

R 172225Z JUL 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 3835

INFO AMEMBASSY ABIDJAN

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMEMBASSY LONDON

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMCONSUL LUANDA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: NA

TAGS: ETRD EAGR CO

SUBJ: COFFEE DEVELOPMENTS

1. ACCORDING TO JORGE CARDENAS, ASST MGR OF FEDECAFE, CURRENT
COFFEE YEAR CROP EST TO
BE SHORT ONE MILLION BAGS FROM EARLIER
PREDICTIONS OF 9.5 MILLION BAG HARVEST. FIRST HARVEST MET
EXPECTATIONS BUT SECOND HARVEST SUBSTANTIALLY OFF BECAUSE HEAVY
RAINS PREVENTED FLOWERING. TOTAL EXPORTS WILL ONLY DECLINE BY
300,000 BAGS, HE SAYS, FROM PREDICTED 7.5 MILLION BAGS, BECAUSE
SOME STOCKS WILL BE DRAWN DOWN INSTEAD OF ADDED TO AS EARLIER
EXPECTED. WITH EXPORTS OF 6.4 MILLION BAGS DURING FIRST NINE
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MONTHS OF COFFEE YEAR, TARGET IS NOW 7.2 MILLION BAGS WHICH

WILL BE RECORD FOR COLOMBIA. (THIS DOES NOT INCLUDE EST 300,000 BAGS OF CLANDESTINE EXPORTS.)

2. COFFEE RETENTION SCHEME TO WHICH COLOMBIA COMMITTED ALONG WITH OTHER PRODUCERS WILL BE MET BY DEPOSITING WAREHOUSE RECEIPTS FOR ABOUT 650,000 BAGS OF NEW COFFEE AND WITHDRAWING EQUAL AMOUNT FROM EXISTING STOCKS FOR DOMESTIC CONSUMPTION. CARDENAS ASSERTS THIS WITHIN TERMS OF RETENTION AGREEMENT.

3. RE REPORT THAT COLOMBIA HELPING FINANCE MARKET INTERVENTION BY "OTHER MILDS" GROUP, HE SAYS BRAZIL AND COLOMBIA HAVE OFFERED TO BUY EXCESS STOCKS FROM MEXICO AND EL SALVADOR IF NECESSARY. NO COLOMBIAN PURCHASES HAVE TAKEN PLACE, AND NO OTHER FINANCING INVOLVED. CARDENAS ALLEGES REMAINING "OTHER MILDS" PRODUCERS HAVE SOLD ALL THEIR COFFEE SO THAT THEIR SUSPENSION OF SALES IS MERELY SYMBOLIC. CARDENAS ADDS THAT PORTUGAL AND IVORY COAST HAVE MADE SIMILAR OFFER TO BUY EXCESS STOCKS OF OTHER AFRICAN PRODUCERS.

4. HE DENIES THAT CAFE MUNDIAL INTERFERING IN NEW YORK OR LONDON MARKETS IN ANY WAY, ADDING THAT CAFE MUNDIAL HAS NO FUNDS WITH WHICH TO ENTER MARKET. WHILE INDIVIDUAL COUNTRIES AMONG BIG FOUR COULD INTERVENE, COLOMBIA IS NOT DOING SO AND HE DOUBTS OTHER THREE ARE. HE SAYS THAT IF SEPT ICO MEETING FAILS TO MAKE PROGRESS ON NEW ICA, CAFE MUNDIAL WILL THEN HAVE TO CONSIDER ITS STRATEGY, BUT HE FORESEES NO ACTION BEFORE THEN. NO OFFICIAL DENIALS ISSUED, HE SAYS, BECAUSE SOME UNCERTAINTY IN MARKET IS HEALTHY FOR PRICES.

5. COMMENT: PRODUCTION FIGURE MUCH LOWER THAN EMBASSY'S EARLIER COFFEE REPORTS, BUT DESPITE POSSIBLE FEDECAFE DISSEMBLING ON NUMBERS, EMB HAS NO BASIS FOR DISBELIEVING NEW ESTIMATE, ESPECIALLY SINCE EXPORT FIGURE REDUCED MUCH LESS DRAMATICALLY. CARDENAS' STATEMENTS ON RETENTION AND INTERVENTION PROBABLY ACCURATE, AND PERHAPS MORE FRANK THAN FEDECAFE GR GOMEZ JARAMILLO MIGHT HAVE MADE HAD HE NOT BEEN OUT OF COUNTRY WHEN WE CALLED FOR APPOINTMENT.
VAKY

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